



**A Report to the
Audit Committee**

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Audit of The Mayor's Office of Emergency Management

April 4, 2014

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

April 4, 2014



Why We Did This Audit

The audit was initiated based on the number of years that have elapsed since the last audit was conducted by this office.

What We Recommend

The Mayor's Office of Emergency Management should reconcile employee leave balances, retrain supervisors and staff on required payroll documentation and signoffs, strengthen fixed assets tracking procedures, continue enhancing the information technology environment, and work with Metropolitan Nashville's Procurement Division to secure an updated delegation of purchasing authority letter.

For more information on this or any of our reports, email Mark.Swann@nashville.gov

AUDIT OF THE MAYOR'S OFFICE OF EMERGENCY MANAGEMENT

BACKGROUND

The Mayor's Office of Emergency Management is the Metropolitan Nashville emergency management agency. It is the primary agency for disaster mitigation, preparedness, response, and recovery efforts. It coordinates resources and incidents and assists other departments in day to day events and during emergency or disaster time.

The Mayor's Office, excluding the Office of Emergency Management, was covered in the Audit of The Mayor's Office report issued on January 30, 2014.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- Information technology policies and best practices were followed.
- Assets were accounted for and agreed with internal records.
- Purchases made were in accordance with applicable policies.
- Grant procedures were enhanced based on previous recommendations to ensure proper management going forward.
- Payroll and leave time were maintained in accordance with applicable policies.

The audit scope included November 1, 2010, through October 31, 2013.

Mayor's Office of Emergency Management Funds	FY 2011-12 (Actuals)	FY 2012-13 (Actuals)	FY 2013-14 (Budget)
Receipts & Transfers			
Total Receipts & Transfers	\$ 740,341	\$4,067,624	\$1,766,100
Expenditures & Transfers			
Salary	643,662	472,691	460,600
Fringes	259,177	202,194	205,400
Other, Capital, Transfers	2,804,953	2,841,134	2,007,600
Total Expenditures & Transfers	\$3,707,792	\$3,516,019	\$2,673,600

Table includes only Office of Emergency Management funds from Department 04.
Source: Metropolitan Nashville's EnterpriseOne Financial System

WHAT WE FOUND

In general, the Mayor's Office of Emergency Management was in compliance with policies for tracked assets, purchasing, and grant management. However, the tracking of leave time accruals and payroll documentation were lacking. Additionally, the maintenance of fixed assets records and information technology environment could be enhanced.

GOVERNANCE

The Mayor's Office of Emergency Management is a division within the Mayor's Office. The office was created to manage in all aspects the comprehensive emergency plan for Metropolitan Nashville to ensure mitigation, responsiveness, and preparedness relative to major emergencies.

Throughout the past year, a significant number of organizational changes have occurred within the Mayor's Office of Emergency Management. The office currently consists of 16 employees and is led by the Director and Assistant Director. Within the Mayor's Office of Emergency Management there are four areas – Planning and Training, Finance and Administration, Logistics, and Operations. Together, the Mayor's Office of Emergency Management maintains the county's Emergency Operations Center, operates a 24/7 dispatch center, continuously monitors for severe weather, terrorism threats, and other developing situations, develops and reviews various emergency plans, and provides public education on preparedness.

OBJECTIVES AND CONCLUSIONS

1. *Were Metro Nashville information technology policies and best practices followed?*

Generally no. Based on the results of the reviews performed by the Metro Nashville Information Technology Services department and the Metro Nashville Office of Internal Audit, controls surrounding information technology could be enhanced. The Office of Emergency Management is currently working with Information Technology Services on strengthening the information technology environment.

2. *Were assets accounted for and in agreement with internal records?*

Generally yes. The Mayor's Office of Emergency Management properly accounted for tracked assets and post 2010 grant assets. A selection of both fixed, grant, and tracked assets were reviewed without significant discrepancies. However, the Mayor's Office of Emergency Management could strengthen controls over fixed assets purchased prior to the implementation of the Grant Inventory System (see recommendation D).

3. *Were purchases made in accordance with applicable procurement policies?*

Yes. The Mayor's Office of Emergency Management made purchases in accordance with applicable policies. Both credit card and non-credit card transactions were reviewed with no discrepancies. However, the office did not have an up to date letter of delegated purchasing authority on file with Metro Nashville's Procurement division (see Observation C).

4. *Were grant procedures enhanced based on previous recommendations to ensure proper management going forward?*

Yes. In response to the Office of Financial Accountability procedures performed, the Mayor's Office of Emergency Management has put in place policies and procedures to address recommendations made. Based on a review of selected grant transactions since March 15, 2013, the office is carrying out these policies and procedures and properly managing its grants.

5. *Were payroll and leave time maintained in accordance with internal policies and procedures?*

No. Required payroll documentation for leave requests and time sheet approvals was lacking. Accrual calculations contained errors, and some accruals were not maintained in accordance with policy (see observations A and B).

AUDIT OBSERVATIONS

The Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework, Control Environment component recommends management and the board of directors establish mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities and implement corrective action as necessary. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Payroll Documentation and Approval

The Mayor’s Office of Emergency Management utilizes timesheet signoffs and leave request forms to ensure proper approval of hours worked. Internal policies require the use of leave request forms, sufficient notice, and supervisor approval for any leave time taken. Overtime and comp time request forms require detailed descriptions of why such time was incurred as well.

Of the 156 timesheets reviewed, 36 timesheets (23 percent) were not signed by a supervisor. Additionally, 55 percent of leave taken was not supported by a leave request form with supervisor approval, and 49 percent of vacation leave did not provide sufficient notice per the Office of Emergency Management policy. Of the comp time and overtime earned, 43 percent was not supported with a sufficient explanation for the cause of the additional hours.

Recommendation for the Mayor’s Office of Emergency Management:

Supervisors and staff should be retrained on timesheet and leave time policies and procedures to ensure proper documentation is received each pay period.

Observation B: Leave Time Accruals and Calculations

The Mayor’s Office of Emergency Management chooses to use the Metropolitan Nashville Civil Service Rules for sick leave and vacation time accrual guidelines. Per the Mayor’s Office of Emergency Management policy, non-exempt employees may accrue holiday hours on a calendar year basis and must use accrued hours within six months of year end.

Of the six employees selected for leave time review, two (33 percent) had errors in vacation leave calculations, and two (33 percent) had errors in sick leave calculations. Errors in vacation time resulted in internal employee calculations showing 11 hours and 40 hours too much. Errors in sick time resulted in employee calculations showing 43 hours and 12 hours too little for two employees.

Two selected employees were eligible for floating holiday hours. One employee (50 percent) had holiday hours not accrued or used in accordance with policy. The employee used 16 hours of holiday time that

should have been forfeited due to not being used within the required time period.

Recommendation for the Mayor's Office of Emergency Management:

Management should perform a full reconciliation of all accrual calculations for a reasonable period of time. Adjustments should then be made and explained to employees. Changes should be signed off on by employees to show agreement.

Observation C: Notice of Delegation of Purchasing Agent's Authority

Metropolitan Nashville Code of Laws § 4.08.060 Delegation of authority by the purchasing agent states:

"Subject to the regulations of the standards board, the purchasing agent may delegate authority to officers and employees of the division of purchases or to any department, agency, or official and may set conditions for such delegation."

The Notice of Delegation of Purchasing Agent's Authority being used by the Mayor's Office of Emergency Management was not up to date. The letter was written in 2009 and designated to a former Mayor's Office of Emergency Management employee. Per the letter, as soon as the former employee left, the delegation was void. Though the office operated without delegation, all purchases reviewed followed Metro Nashville purchasing policies.

Recommendation for the Mayor's Office of Emergency Management:

Management should work with Metropolitan Nashville's Procurement Division to ensure a Notice of Delegation of Purchasing Agent's Authority is completed and communicated to employees with purchasing duties.

Observation D: Fixed Assets Tracking

The Metropolitan Nashville Finance Department policy, *Division of Accounts # 14 – Capital Assets*, requires an annual review of the fixed assets listing maintained by the Division of Accounts by each department. Any discrepancies are to be reported within six weeks. The Internal Control and Compliance Manual for Tennessee Municipalities Title 5, Chapter 24 recommends:

"An annual physical inventory should be performed, documented, and reconciled to the property records."

The Mayor's Office of Emergency Management does not have a process in place to confirm assets purchased prior to the implementation of the office's grant inventory system. Fixed assets listed within the Metropolitan Nashville EnterpriseOne system are not confirmed or reviewed on a regular basis. Tracking of assets being held by other departments is not taking place.

Recommendation for the Mayor's Office of Emergency Management:

Management should perform a full inventory of items listed in the Metropolitan Nashville EnterpriseOne system. Any changes or disposals should be made, and a process should be put into place to regularly review these assets in the future.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this compliance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

The Mayor's Office functions that are not a part of the Mayor's Office of Emergency Management were not included in this audit. A separate audit was issued for the Mayor's Office on January 30, 2014.

RELIANCE ON WORK OF OTHERS

In performing this audit of the Mayor's Office of Emergency Management, the Office of Internal Audit relied on work performed by others. The Office of Internal Audit placed reliance on the following reviews performed:

- a. *Metro Nashville Office of Financial Accountability Grant Monitoring Review Draft (April 2013)* - At the direction of the Metropolitan Nashville Department of Finance, a grant monitoring review was performed on all Mayor's Office of Emergency Management grants open as of June 30, 2012. After completion of the initial review, the Mayor's Office of Emergency Management requested an additional review of transactions ending March 15, 2013. To place reliance on the work and recommendations made in this review, the Office of Internal Audit walked through the recommendations and remediating actions with the Mayor's Office of Emergency Management. Additionally, the Office of Internal Audit performed additional testing to ensure mitigating procedures were put into place and were operating effectively.
- b. *Metro Nashville Information Technology Services Report on Information Technology and Security Analysis (February 2014)* – At the request of the Mayor's Office of Emergency Management leadership, the Metro Nashville Information Technology Services department performed a review of information technology security and utilization within the Mayor's Office of Emergency Management. Based on the review, recommendations for enhancements were made. To place reliance on the work performed, the Office of Internal Audit gained an understanding of the work performed and discussed the Mayor's Office of Emergency Management's planned response to report recommendations.
- c. *Crosslin & Associates A-133 Single Audit as of June 2013* – As required by law, the Metro Nashville Government has a single audit performed annually by Crosslin & Associates. For the audit of July 1, 2012, through June 30, 2013, the Port Authority grants acquired by the Metropolitan Nashville Mayor's Office of Emergency Management were considered a major program. As such, asset selections and grant transaction selections were reviewed over the period. No discrepancies were noted, and the Office of Internal Audit relied on this work in lieu of performing selections testing on the specific grants. The Office of Internal Audit reviewed the list of selections tested and deemed it sufficient for reliance.
- d. *FEMA Grants Program Audit of the Port Security Grant Program Award (August 2013)* – The FEMA Grants Program opted to use its authority as grantor to perform an audit of grant spending under the Port Security Grant awarded to the Mayor's Office of Emergency Management. During the audit, the grantor reviewed assets purchased and transaction

documentation to ensure compliance with the grant agreement. The Office of Internal Audit reviewed the results of the audit and noted that there were no discrepancies. The Office of Internal Audit relied on this work in lieu of performing selections testing on the specific grant.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within the Mayor’s Office of Emergency Management.
- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.
- Reviewed prior reports written pertaining to the Mayor’s Office Emergency Management.
- Evaluated internal controls currently in place.
- Considered risk of fraud, waste, and abuse.
- Considered information technology risks.

AUDIT TEAM

Mark Swann, CPA, CIA, CISA, ACDA, Metropolitan Auditor

Lauren Riley, CPA, ACDA, In Charge Auditor

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April 3, 2014

Mr. Mark Swann
Metropolitan Auditor
Office of Internal Audit
1417 Murfreesboro Pike
Nashville, TN 37214

Dear Mr. Swann:

This letter acknowledges the receipt of the audit of the Office of Emergency Management. We reviewed the findings and recommendations and have incorporated our responses in Appendix A of your report.

We appreciate the work you have done to help the Office of Emergency Management improve processes and controls, and we appreciate the professionalism of the Internal Audit staff in conducting this work.

Sincerely,

A handwritten signature in blue ink that reads "RT White".

Richard T. White
Interim Director-Chief

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>A. Supervisors and staff should be retrained on timesheet and leave time policies and procedures to ensure proper documentation is received each pay period.</p>	<p>Accept – NFD will provide payroll and leave accrual training for OEM Staff.</p>	<p>05/15/2014</p>
<p>B. Management should perform a full reconciliation of all accrual calculations for a reasonable period of time. Adjustments should then be made and explained to employees. Changes should be signed off on by employees to show agreement.</p>	<p>Accept – OEM has reconciled accrual calculations from July 1, 2013 – current. OEM will also reconcile accruals July 1, 2012 – June 30, 2013.</p>	<p>05/31/2014</p>
<p>C. Management should work with Metropolitan Nashville’s Procurement Division to ensure a Notice of Delegation of Purchasing Agent’s Authority is completed and communicated to employees with purchasing duties.</p>	<p>Accept – OEM met with the Purchasing Department on 04/03/2014 to complete the Delegation of Purchasing Authority forms.</p>	<p>04/04/2014</p>
<p>D. Management should perform a full inventory of items listed in the Metropolitan Nashville EnterpriseOne system. Any changes or disposals should be made, and a process should be put into place to regularly review these assets in the future.</p>	<p>Accept – OEM inventories all grant purchased items and distributes that inventory to the appropriate departments annually for verification. Any changes or disposals of assets are recorded in the grant inventory system for all grants starting with Homeland Security (HGSP FY10). OEM will compare the grant inventory system to EBS/Enterprise One to ensure both systems are in sync. OEM will develop a procedure on reconciling the grant inventory system to EBS/Enterprise One including changes or disposals needed.</p>	<p>07/31/2014 to complete the process and reconciliation. 09/30/2014 to complete entry of needed changes in EBS/Enterprise One due to the labor required to complete this while multiple grants are closing.</p>